

86

FLOOR STATEMENT - SENATOR STENNIS

H. R. 8427

CALENDAR NO. 1589

RETIREMENT AND DISABILITY SYSTEM FOR CERTAIN EMPLOYEES OF
THE CENTRAL INTELLIGENCE AGENCY

PURPOSES AND NEED FOR LEGISLATION

Mr. President, the purpose of this legislation is to provide an improved retirement system for certain employees of the Central Intelligence Agency.

At the present time all employees of the Central Intelligence Agency are under the normal civil service provisions for retirement purposes. The need for this bill arises from the fact that because of the conditions of service, not all of the CIA employees who are supporting and conducting intelligence activities abroad can anticipate the period of employment required for retirement under the present civil service provisions. For this segment of CIA employees this bill creates a special retirement system which will make it possible for these employees to retire at an earlier age and with a less severe financial penalty than the present Civil Service System employees. It is expected that not more than 30% of the Agency employees would be covered under this new system. Not all of these, of course, would ever qualify for retired pay.

As we all know, the entire CIA operation is an intelligence effort. At this point, Mr. President, the question naturally arises as to how there can be a clear line of distinction between those employees who would be covered under this bill and those who would remain under the Civil Service System. The bill contains two specific provisions on this point. First, it provides that the Director, in naming the employees to be covered under this system, will designate only those determined by him to be in support of Agency activities abroad, and hazardous to the life and health of the employee, or only those whose duties are so specialized, because of security requirements, to be clearly distinguishable from normal government employment. Second, there is specific limitation, not in the House version, which provides that except for disability retirements, not more than 400 employees will be retired under this legislation during the period from the date of enactment to June 30, 1969. Also, there is a limitation of 400 for the next 5-year period between July 1, 1969, and June 30, 1974.

It should also be emphasized, Mr. President, that the rules and regulations of the Director for establishing and maintaining this system will become effective only after approval by the Chairmen and ranking minority members of the House and Senate Committees on Armed Services.

-2-

Precedents

The precedents for this type of legislation may be found in the provisions now applicable to certain personnel of the Federal Bureau of Investigation and other Federal investigative and criminal detection activities, and the separate statute now applicable to Foreign Service officers. The premise underlying this bill, as well as the foregoing provisions, is a need for encouraging, and in some cases directing retirement at ages earlier than those contemplated by the normal civil service employee.

HIGHLIGHTS

Mr. President, before discussing the details of this legislation I would like to make two observations. First, even though this is a lengthy bill, many of the provisions are similar to those contained in the Civil Service retirement bill. A repetition of language is necessary since the covered employees will be retiring under the separate legal system established by this bill. Second, the version now before the Senate is considerably more restrictive than the form in which the bill passed the House. For the most part, the House version was similar to the Foreign Service Retirement Act whose provisions are more liberal than the Civil Service System. The Committee was of the opinion, however, that this special retirement problem of the CIA could be adequately met with a system more similar to the Civil Service System than the House version proposes. The Committee amendments for the most part are changes which conform the bill to the various provisions now contained in the Civil Service Retirement Act.

My discussion will outline the manner in which the bill departs from the existing Civil Service System for the special CIA employees who would be covered.

Retirement Fund

Mr. President, the bill would create a retirement fund to be maintained by the Director. The employees would contribute 6 $\frac{1}{2}$ % of their basic salary. In addition, the Director would make estimates for annual appropriations for the fund. The past contributions of employees would be transferred in this fund. It is also expected that past contributions by the Government would also be transferred. Finally, in order to insure a sound retirement system, the bill requires an actuarial evaluation of the fund at intervals of not more than 5 years.

Participants

Under the criteria already discussed, the Director would designate the persons known as participants who would be under the special system. Each participant's record would be reviewed at least every 5 years in order to

-3-

determine if they should remain under this system. The bill does contain a provision inserted in the House providing that after 15 years of service, if the Director adjudges a person to be qualified for coverage under this system, he may elect to remain under this retirement program and not be subject to further review by the Director for retirement coverage purposes.

Mr. President, we now come to the question of just what does this bill provide for the people who are designated as participants.

First, the bill provides for an increase in what is now known as the retirement multiplier. It provides that those under this system will have their retired pay computed on the basis of 2% of their average salary of the highest five consecutive years. This average would then be multiplied by the number of creditable years of service, not to exceed 35, with the result that the maximum amount of retired pay would be 70% of the highest 5-year average.

As we know, under the normal Civil Service formula the first 5-year period is computed on the basis of 1 $\frac{1}{2}$ % of the highest salary for 5 consecutive years, the next 5 years 1-3/4%, with the remaining service over 10 years at 2%. The bill would therefore extend to these employees the 2% formula for the first 10 years as compared to the lesser civil service percentages for the first 10 years

Retirement without penalty

Mr. President, under the normal Civil Service, all retirements below age 60 incur a penalty, that is, a reduction in retired pay, even if one is otherwise eligible for retirement. The penalty is 1% in retired pay for each year under age 60 to age 55 and 2% in retired pay for each year below age 55. As an example, at age 50 the retired pay would be reduced by 15%.

Mr. President, the bill does not provide for any penalty in retired pay, and if the person is otherwise eligible he will be permitted to retire under the normal 2% formula.

Voluntary retirement at age 50

The bill would permit participants beginning at age 50, upon application, with the consent of the director, to retire voluntarily, if they have completed a total of 20 years of service, including at least 10 years with the CIA and a minimum of at least 5 years of qualifying service. It is expected that normally all of the creditable service would be in the nature of qualifying service. In certain cases, however, participants may have completed prior military service or service in some other Government agency. With respect to service within the CIA, except for periods of rotation, most of the service would be of a

-4-

qualifying nature, that is, duties involved in the conduct and support of intelligence activities abroad.

As an example, Mr. President, if a man was 55 years of age and had completed 25 years of service, he could voluntarily retire with 50% of his highest 5-year average. If he were under the Civil Service System he could voluntarily retire at age 55 only if he had completed 30 years of service and even here at a 5% reduction in retired pay. As we all know, under the Civil Service System retirement below age 55 is permitted only if the separation is involuntary.

Mandatory retirement at age 50 and above

The bill provides that the Director in his discretion may mandatorily retire participants who are at least 50 years of age and have completed the same service required for voluntary retirement. His retired pay would be based on the 2% formula.

Mandatory retirement with at least 25 years of service

The bill further provides that the Director may involuntarily retire participants who have completed a total of 25 years of service without regard to age, provided the person has completed at least 10 years of service with the Agency, of which at least 5 years are qualifying. There is a similar 25-year involuntary provision under Civil Service, with the distinction, of course, that such retirements would incur a penalty.

Mandatory retirement based on age

The bill provides that participants in the grade of GS-18 or above will be mandatorily retired upon reaching age 65. Those below GS-18 would be mandatorily retired at age 60. The Director could in all cases extend the participation service for a period not to exceed 5 years. This provision is of somewhat limited significance since there is no statutory tenure for CIA employees. The Director can terminate the employment at any time.

Disability system

The bill contains provisions for a disability system comparable to that for Civil Service employees, with the exception that the disability retirement pay would be based on the 2% formula.

Other features

Mr. President, the bill contains a number of other provisions, most of which are similar to those contained in the Civil Service Retirement Act. These

-5-

relate, among other matters, to the question of deferred annuities, payments for widows and children, cost-of-living increases, and provisions relating to the administration of the retirement system and fund. All of these matters are set forth in detail in the Committee Report and I shall not attempt to discuss them as a part of my statement.

Cost

Mr. President, with respect to the cost of this special system, it is anticipated that over the next $4\frac{1}{2}$ years, through June 30, 1969, the total expenditures from the retirement fund would be approximately \$4 million. On an annual basis this would average about \$900,000 a year.

I should also like to emphasize that in terms of additional cost, that is, the cost of retiring persons under this bill, as compared to the cost if they should be retired under the Civil Service provisions, there will be expended an estimated \$600,000 over the next $4\frac{1}{2}$ -year period, or about \$132,000 on an annual basis. This \$600,000 figure is of course included within the total expenditure of \$4 million.

Summary

Mr. President, it is my personal view that as a matter of general policy the Congress should not enact legislation which encourages the early retirement of our Government employees. Too often it appears that retirement becomes an end in itself, with the result that people are often retired at a time when they could continue to render valuable service. The Committee felt, however, that because of the special circumstances involved, this bill is justified in order to meet the special problems and conditions of service with which a segment of the CIA employees are confronted.

I regret that the security implications of this general subject do not permit a more extensive discussion of some of the fact situations. I am sure that all Members of the Senate, however, appreciate the general sensitivity surrounding any discussion of this general subject.

I might observe that one particular part of the bill relating to the security aspects of this matter is the revision requiring that the rules and regulations for the implementing ^{the Act} ~~it further~~ be approved by the Chairmen and Ranking Minority Members of the House and Senate Committees on Armed Services. It is planned that the criteria for ^{qualifying} ~~commission~~ under this retirement program will be of a somewhat detailed and strict nature. The security implications do not permit disclosure of this aspect of the program. This provision, however, insures that the appropriate Committee representatives will be fully aware of the operation of this program.

I urge the Senate to adopt this legislation as amended by the Committee on Armed Services.